



Strategic Purchasing Initiative

Executive Briefing
March 2005



PI

Meeting Purpose

Part 1

- **Objectives:**

- Review components of USMC Strategic Purchasing Initiative
 - Strategic Sourcing and Commodity Council work (external strategy)
 - Process analysis and improvement (internal strategy)
- Review actions and timeline
 - SPI Coordination w/ PPBE

- **Requested Decision:**

- ☐ Approve selected commodities for first wave Strategic Sourcing/Commodity Council work

Part 2

- **Objective:**

- Review process improvement e-tool concept
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SPI Mission

Conduct an end-to-end review of Marine Corps product and service acquisition practices in order to identify opportunities for improvement.

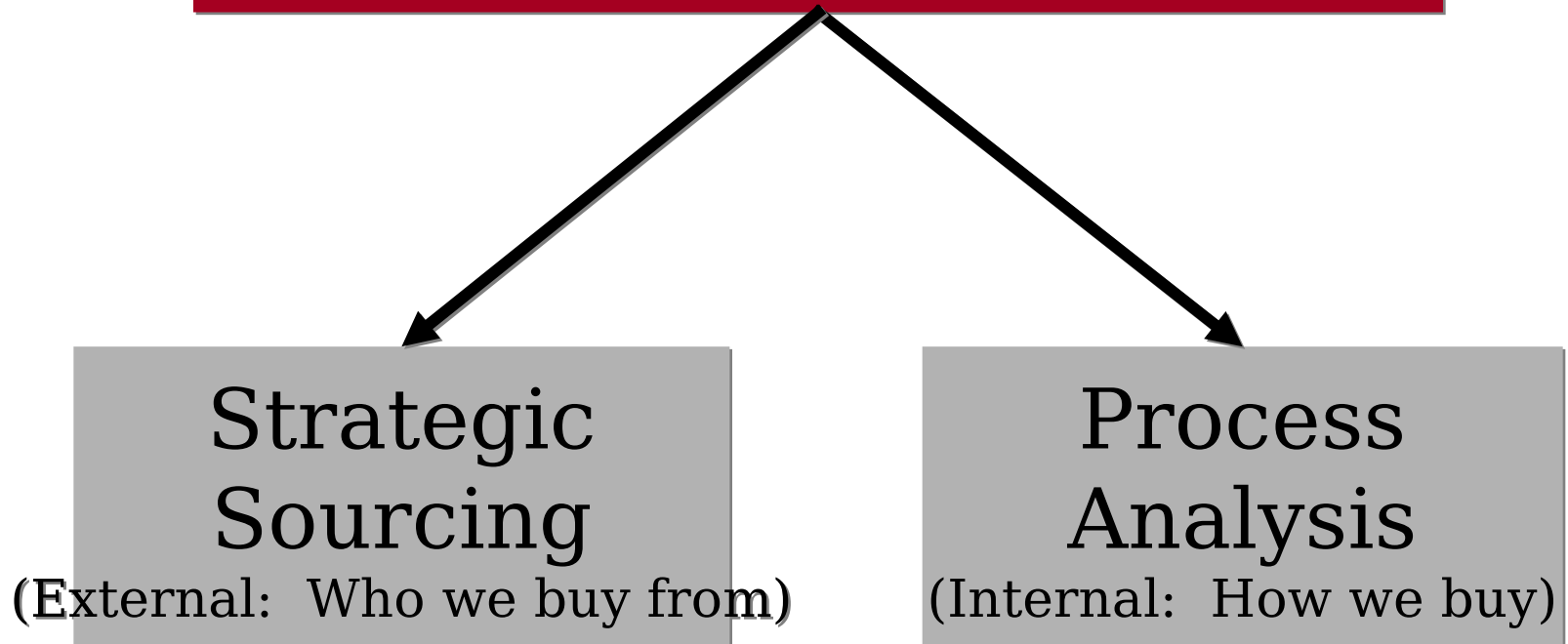
Coordinate the development, approval, and implementation of action plans based on the following approaches:

- (1) Coordination with other related initiatives*
- (2) Process mapping and analyses*
- (3) Spend analyses – Strategic Sourcing*



SPI Elements

Strategic Purchasing Initiative (SPI)





Strategic Sourcing/ Commodity Council Work



Major Finding

DoD and All Services are conducting SPI, under varying names:

- **Most align terminology w/ DoD's Defense-Wide Strategic Sourcing (DWSS)**
- **Most align processes with DWSS**
- **SPI has used DWSS CONOPS to support Commodity Council Plan**



Sample of Other Services' Commodity Councils

Navy

- Cell Phones
- Office Supplies
- Furniture/Fixtures
- Admin Services
- Medical Services

- Medical Services
- Air Force Material (many)

- Cell Phones

- Medical Services

DoD

- Medical Services (Army lead)
- Clerical Support (Navy lead)

DLA

- Supplier Alliances

TRANSCOM

- Current Rand Study



Commodity Council USMC Process

USMC Process

**1. Enterprise-wide
Opportunity
Assessment**

**2. Profile
Commodity**

**3. Profile
Market**

**4. Develop
Strategy**

**5. Approve
Strategy
Share with
DWSS**

**6. Implemen
t Strategy**

**7. Manage
Performan
ce**

Commodity Teams are the key component for developing and executing sourcing strategies. Commodity Teams will execute a majority of the work and present the resulting outputs to their chain of command.

**USMC Process
Follows DWSS
Process**

Defense-wide Strategic Sourcing (DWSS) Process





USMC Commodity Council Process

1. Enterprise-wide Opportunity Assessment

Input:

High level spend analysis

Output:

List of potential commodities

Deliverable:

Draft CC charter

2. Profile Commodity

Inputs:

**Charter, Spend analysis data,
Training**

Output:

**Profound understanding of
commodity being procured**

Deliverable:

Commodity Profile (data and brief)

3. Profile Market

Inputs:

**Spreadsheet and brief
Consultant assistance**

Outputs:

**Market data including cost, profit,
vulnerability, importance of USMC
volume, management, transaction
costs, economies of scale, drivers,
consumer concerns, industry
forecasts, etc.**

Deliverable:

Market Profile (data and brief)



USMC Commodity Council Process

4. Develop Strategy

Inputs:

Commodity profile
Market profile
General policy guidance
Generic strategies

Outputs:

Strategy tailored to specific
commodity
Simple business case
Estimated savings
Milestones for “Savings Capture
Letter” for P&R programming

Deliverables:

Sourcing strategy BCA
Detail on source of estimated savings
Draft “Anticipated Savings Letter”*
(warning order) from LR to RPD for
potential savings and anticipated
time frame for “Savings Capture
Letter” (execution order)
Brief

***Note: See Sample Anticipated Savings Letter and enclosure**



USMC Commodity Council Process

5. Approve Strategy Share with DWSS

Steps 1-5 =
~6-9 months

Inputs:

Step 4 deliverables

Oral presentation

Output:

Go/No Go decision w/wo amplifying guidance

Deliverables:

Anticipated Savings Letter

Transmittal of strategy to applicable contracting staff

Brief for (1) ESG, (2) CBC, and (3) DWSS SSDB

6. Implement Strategy

Inputs:

Step 5 deliverables

CC consultation, background materials, and assistance

Output:

Strategy execution

Deliverables:

Orders placed with applicable source

Savings Capture letter from LR to RPD

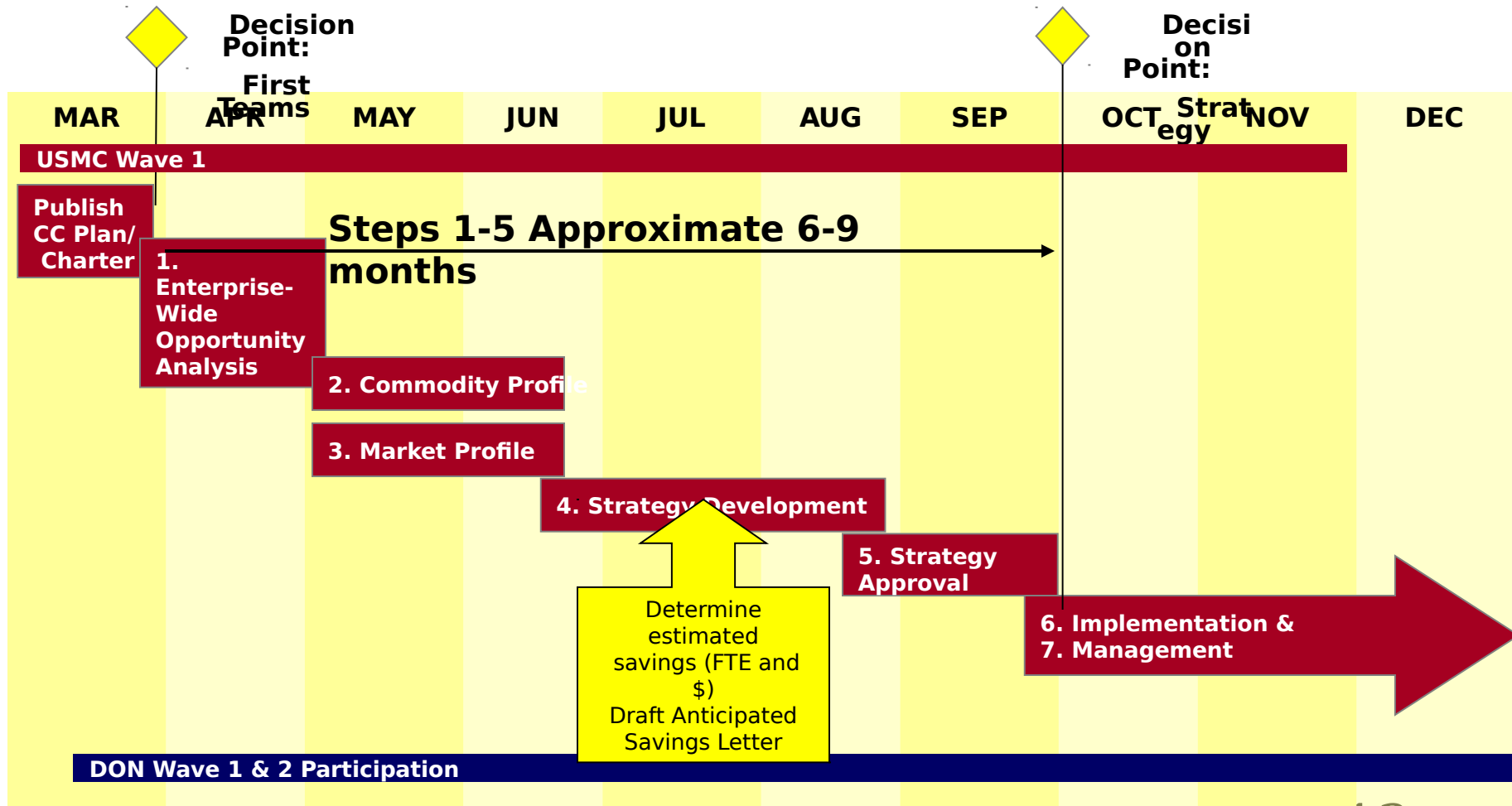
7. Manage Performance

Output:

CC transition and exit
Return to step 1 → **Enterprise-wide Opportunity Assessment**



USMC Commodity Team Wave 1 Timeline





Potential Risks to PPBE Timeline

Potential Risk	Mitigation Efforts	If Risks are Not Mitigated
Lengthy contracting process for strategy implementation	<ul style="list-style-type: none">✓ Involving contracting personnel on commodity teams for early input• Identify best alternative for timely award• Streamline execution process	<ul style="list-style-type: none">• Strategies unable to be implemented• Savings not harvested
Lengthy contracting process for acquiring CC support	<ul style="list-style-type: none">✓ Involving contracting personnel on commodity teams for early input	<ul style="list-style-type: none">• Delay in savings• Potential loss of funds for contract (if near year-end)
Buy-in from commodity stakeholders	<ul style="list-style-type: none">• Involving stakeholder reps on commodity team• Identifying expected savings or cost avoidance for stakeholder	<ul style="list-style-type: none">• Strategies unable to be implemented• Savings not harvested• Stakeholders continue doing more with less
Lack of clarity on P&R Requirements	<ul style="list-style-type: none">• Obtaining P&R feedback on draft "Anticipated Savings letter" and format of data	<ul style="list-style-type: none">• Submission to P&R will be ineffective and savings will not be programmed



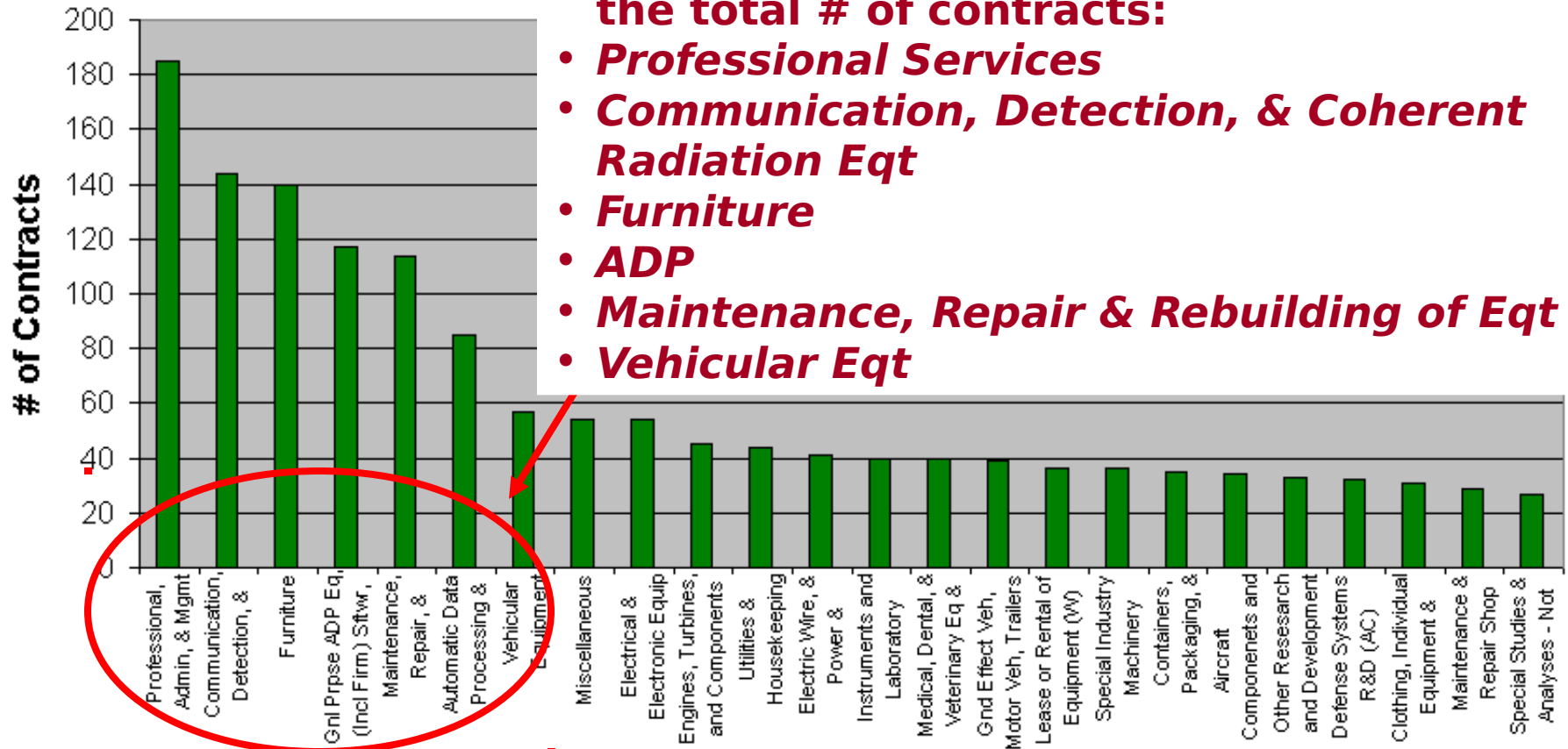
Where should we start?

USMC Commodity Council Data

Top Commodities (# of Contracts)

Six commodities represent over 30% of the total # of contracts:

- **Professional Services**
- **Communication, Detection, & Coherent Radiation Eqt**
- **Furniture**
- **ADP**
- **Maintenance, Repair & Rebuilding of Eqt**
- **Vehicular Eqt**





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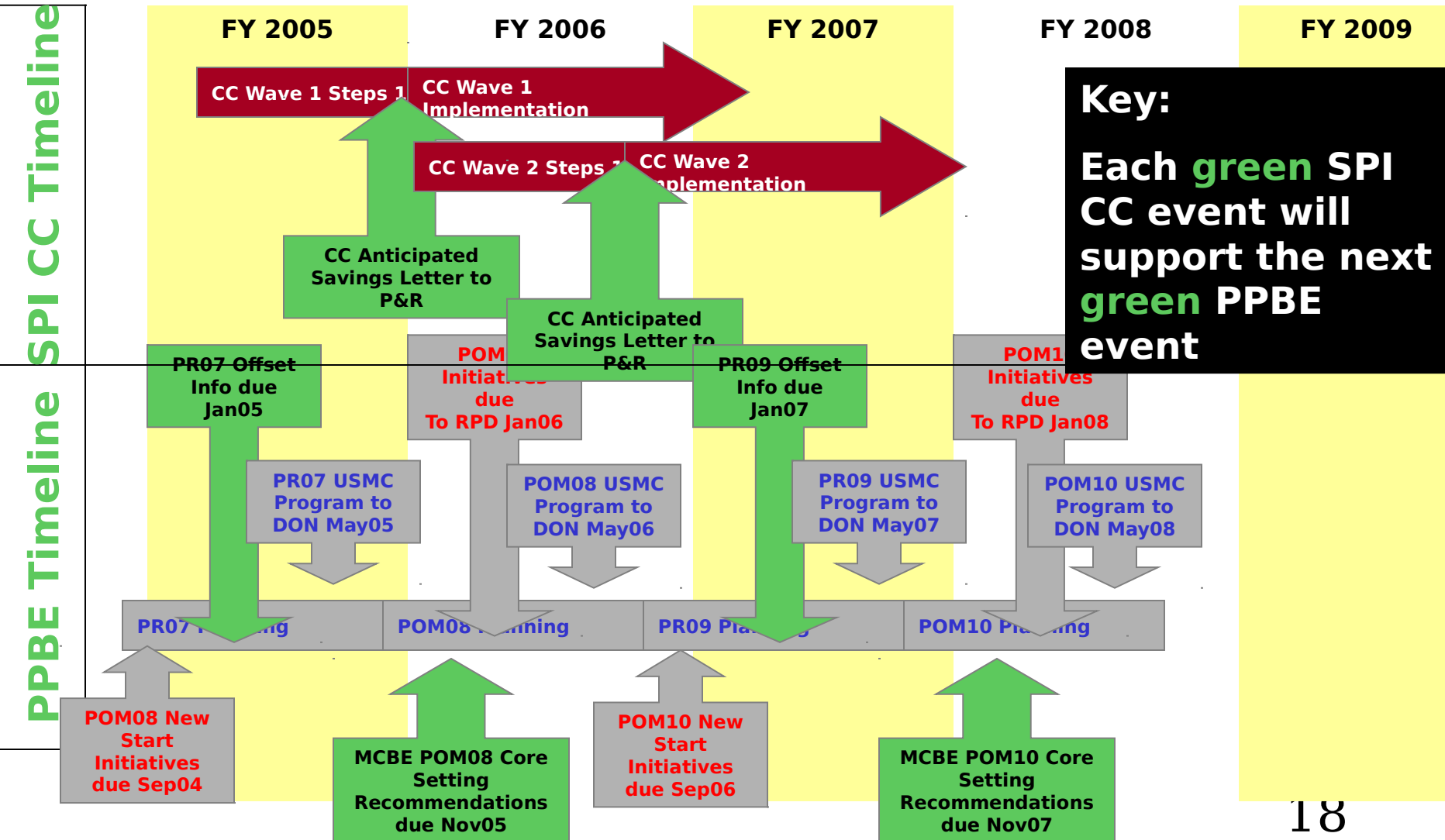
Baseline Data

Commodity	Baseline	Year	Source	Notes
MARINE CORPS LEAD				
Professional Services	\$304,000,000	2003	Rand	"Rx", includes admin, excludes some technical
ADP	\$94,000,000	2003	Rand	"Dx", service only
NAVY/DOD LEAD				
Cell phones	\$4,625,000	2004	RFA	this may only represent portion, better data available in 05, DoD CC should have more information - researching
Furniture	\$43,000,000	2003	Rand	~50% housing
Office Supplies	\$19,000,000	2003	DD350	
OTHER AREAS OF INTEREST				
Cognos Licensing	TBD			
Laundry	\$2,100,000	2003	Rand	
Base Retail Supply	TBD			Study concurrent w/ SPI
<i>Total Baseline for First CC's:</i>	\$466,725,000			



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Timeline: SPI & PPBE





Proposed First Wave USMC Commodity Topics

- **First Wave Tier I (USMC-lead)**

- Professional Services*
- ADP Equipment and Service*

**Notes: Pending SPI Executive Council approval
Support contract includes option for third commodity*

- **First Wave Tier II (Other Service-lead)**

- Furniture (Navy Lead) – USMC Rep: HQMC/I&L(LF)
- Office Supplies (Navy Lead) – USMC Rep: HQMC/I&L(LP)
- Cell Phones (Navy Lead) – USMC Rep: SYSCOM
- Clerical Support (Navy/DoD Lead) – USMC Rep: TBD

- Other Areas of Interest as identified by USMC leadership will be analyzed using strategic sourcing methodologies19



Decision

- ❑ Approve selected commodities for first wave Strategic Sourcing/Commodity Council work:
 - ❑ Professional Services
 - ❑ ADP Equipment and Services

First Step: Open communication with functional managers and stakeholders



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Service Acquisition Process Analysis And Improvement



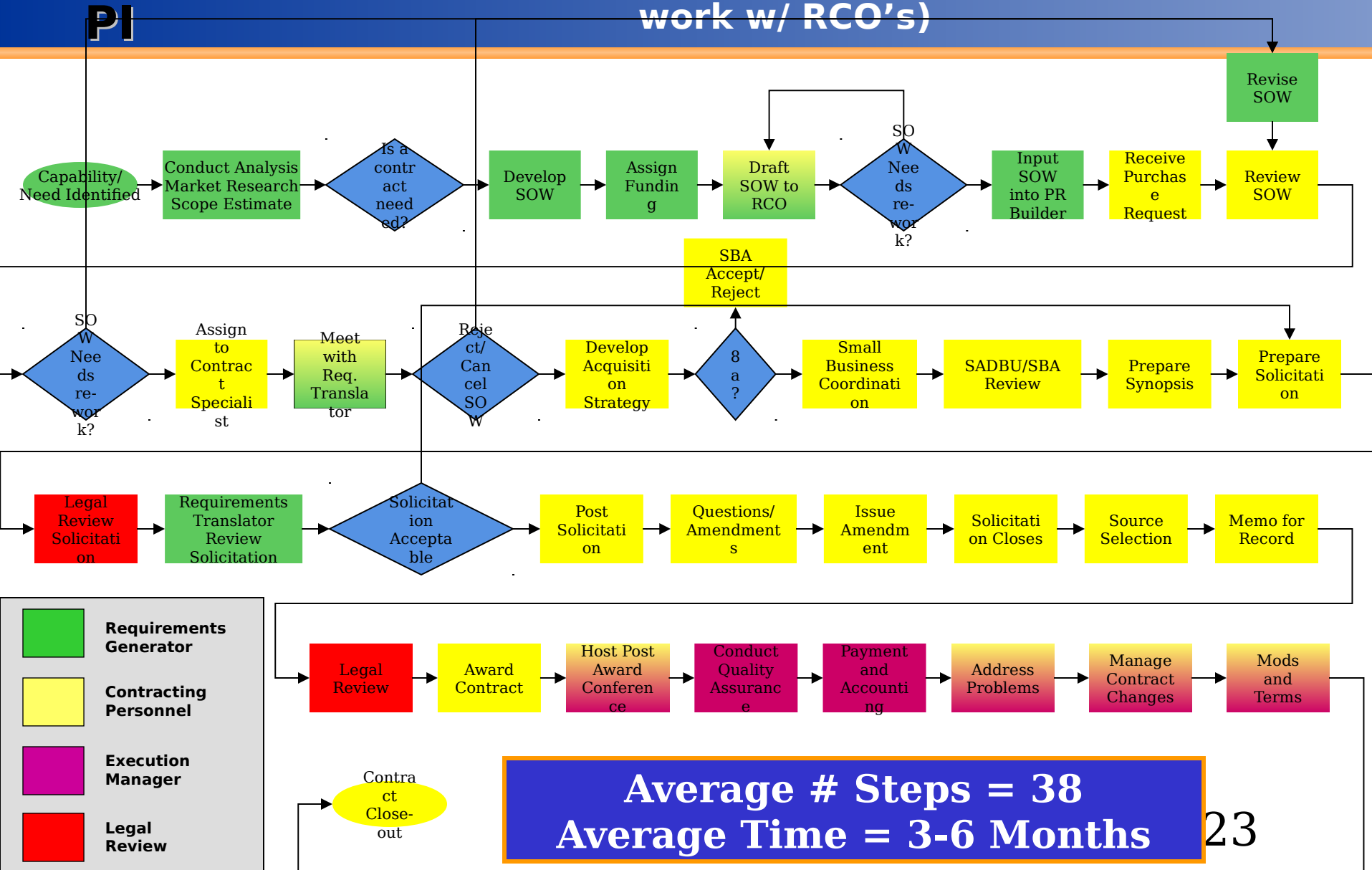
SPI Process Analysis and Improvement

- “As-is” process maps complete (RCO focus)
- “To-Be” process maps under development
 - Integration of e-tools identified by SPI and LB:
 - Seaport e
 - Common access portal
 - Additional recommendations based on:
 - Reduced variation
 - Reduced number of process steps
 - Recommendations will be socialized w/ LB and RCO’s
 - Implementation plan will include policy and training requirements



"As-Is" Process Map

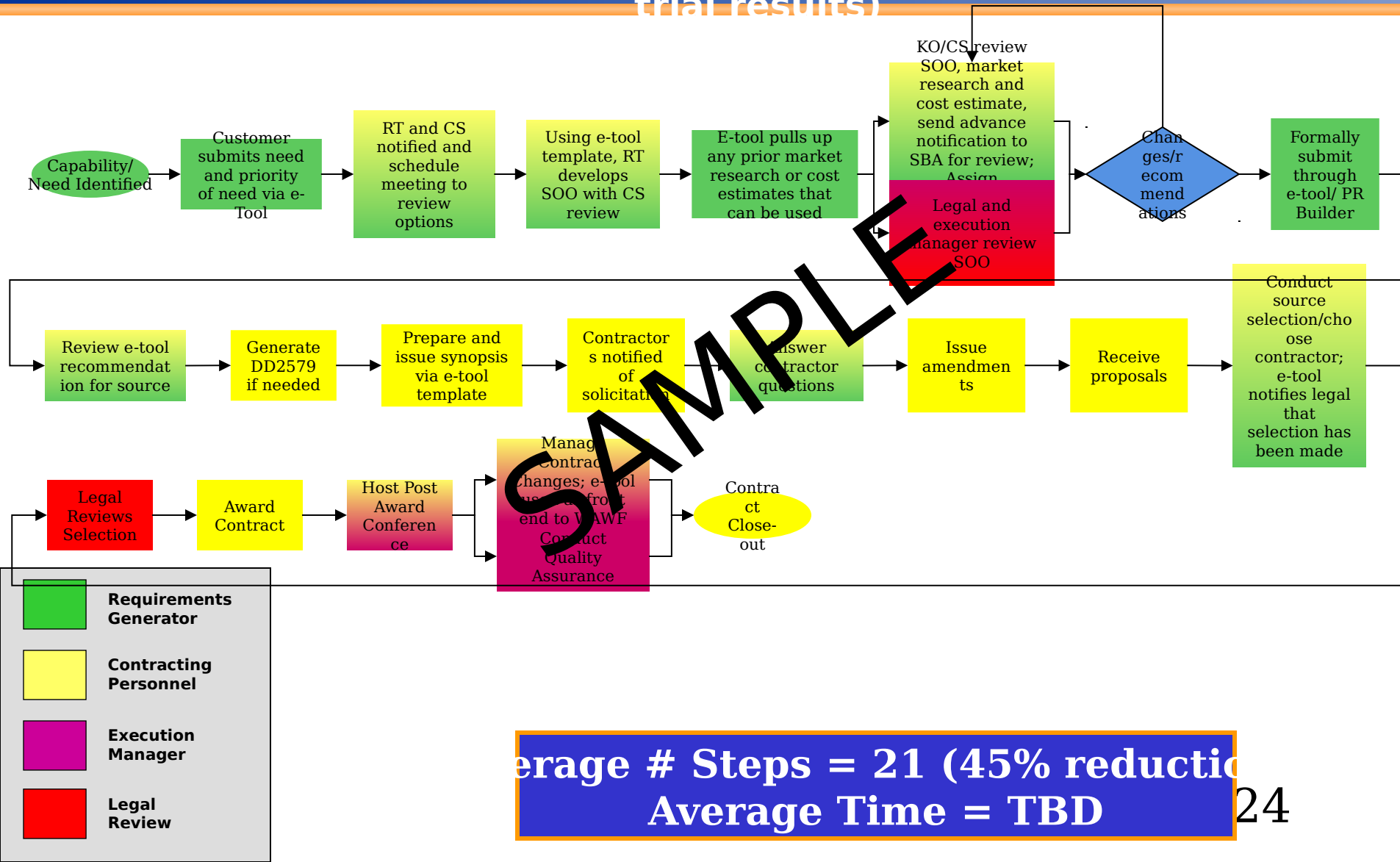
(Based on Service Acquisition Transformation Initiative work w/ RCO's)





Sample "To-be" Process Map

(Actual to-be process will be based on FY05 analyses and e-tool trial results)

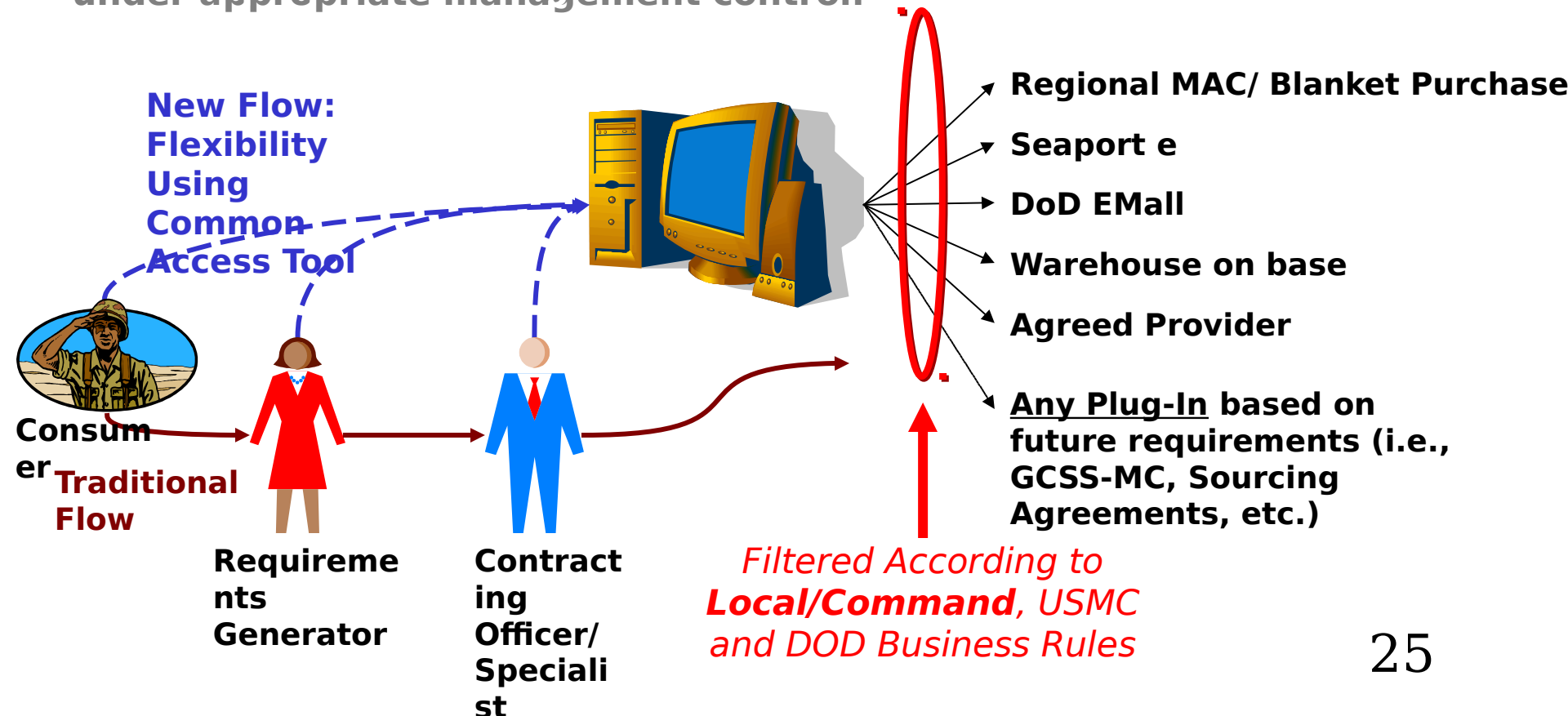




E-tool: Common Access/Collaboration

ACCESS TOOL:

Provides Single Standard Access Point for all USMC Users (consumer, requirements generator, acquisition partner). Consumers will automatically follow current USMC policy. All activity will be conducted under appropriate management control.

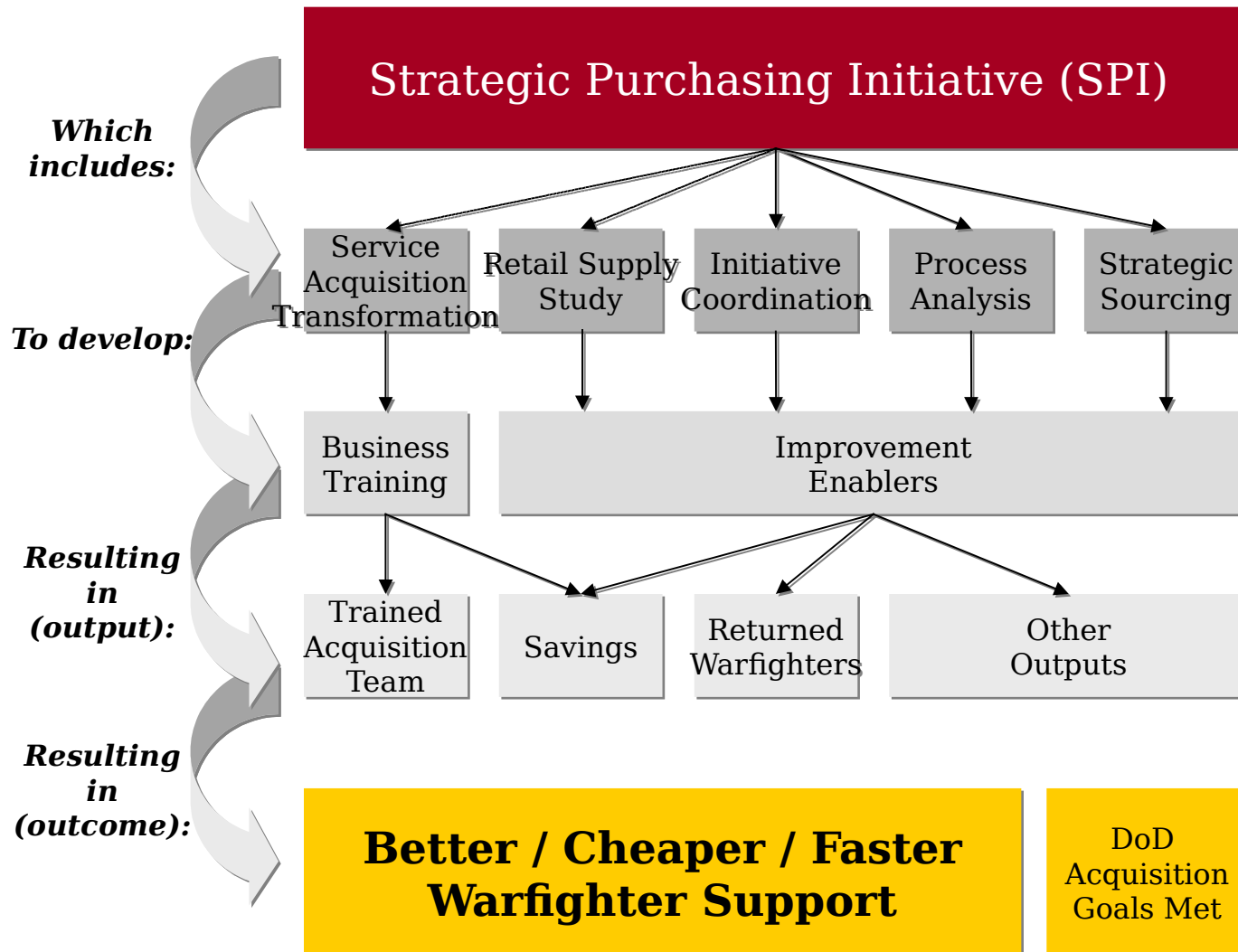




Back up



SPI Elements





SPI Overview

How can we improve Marine Corps purchasing of products

Service Acquisition + Product Acquisition





Strategic Purchasing Related Higher HQ Intent

“Marine Corps business transformation will expand its current focus...by reaching across the entire enterprise to initiate end-to-end business process improvements that will drive innovation and change, and further increase effectiveness and efficiency.”

MROC DM 27-2004 (12APR04)

“Aggressively pursue Marine Corps Business Enterprise initiatives to improve end-to-end processes and ensure we efficiently and effectively allocate resources for continued warfighting excellence.”

POM06 CMC GUIDANCE (POM SERIAL 06-09, 2 APR 04)



Proposed Second Wave USMC Commodity Topics

- **Second Wave Tier I (USMC-lead)**
 - Maintenance/Repair/Rebuilding of Equipment*
 - Vehicular Equipment and Spare Parts*
**Note: Pending SPI Executive Council approval*
- **Second Wave Tier II (Other Service-lead)**
 - Hardware (Navy Lead) – USMC Rep: TBD
 - Medical/Surgical Instruments and Supplies (Navy Lead)
 - USMC Rep: N/A
- Other Areas of Interest as identified by USMC leadership will be analyzed using strategic sourcing methodologies



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Resources

INITIAL

- Spend Analysis (\$150k)
- NAVFAC (2.5 people)
- LR (.5 person)
- PBSA Resources
- IPT Participation
 - LB/LX/LF/LK
 - P&R
 - MCCS
 - SYSCOM
 - LOGCOM
 - LP (Advisory)

NEAR-TERM (estimate)

- NAVFAC (3 people)
- LR (1 person)
- PBSA Resources
- IPT Participation
- Contract Support
 - Censeo for first wave CC's (\$450k)
 - Support for next CC's TBD
- Commodity Team Participation
- Implementation Investments
 - E-tool trial at Quantico (\$750k)

Key Resource: Executive Commitment



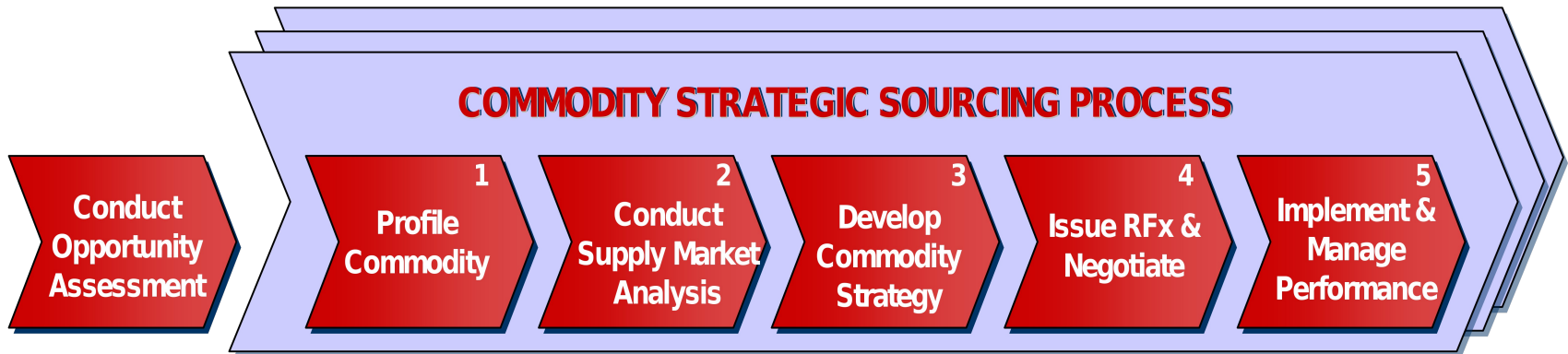
Commodity Council Approach

USMC	OTHER SERVICES
Spend Analysis: USMC smaller so we start by roll up FSC/PSC's	Others are large so they immediately start slicing within FSC/PSC's
Attacking hard topics first	Attack easy topics first
One pilot council launching <i>spirals</i> in many commodities	A few pilot councils staying within each launching <i>spirals</i> within one commodity
Early effort: Spinning of councils from pilot	Early effort: Launching successive Waves of councils
Learn from DoD then self	Learn from industry then self



Commodity Council Process

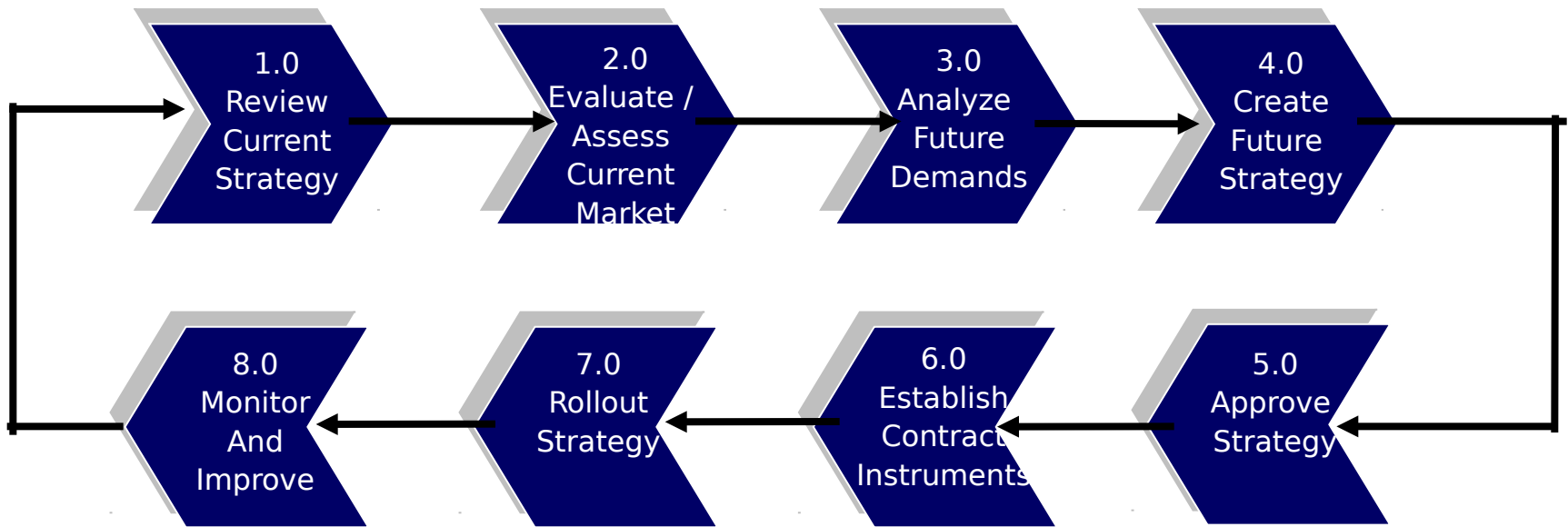
Defense-Wide Strategic Sourcing (DWSS)



While the graphics and environments are different, the DWSS Commodity Council process is analogous to the USAF. The DWSS graphic was produced for a Navy Department pilot project.



USAF Commodities Council Eight-Step Process



Process for continuous improvement



USAF Commodity Council Roles

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Governance

Materiel Governance Board

Co-Chairs : AFMC/PK & LG

ALC/PKs and CSW Director

- Set overall CC objectives and goals
- Approve CC strategies, plans and measurements
- Evaluate on-going CC performance

Policy

Commodity Council Director

- Executes CC Mgt
- Formulates Accountable for CAMP
- Accountable for

Commodity Sub-Council Manager

- Manages commodity sub-group
- Formulates strategies for sub

Data Specialist

- Performs data analysis
- Ensures quality and availability of data

Procurement Manager

- Develops contract and sourcing strategy
- Executes contract

Sourcing Supply Analyst

- Conducts spend and strategy analysis
- Develops/manages Supplier Scorecards

Commodity Council Deputy Director

- Manages council
- Coordinates the matrix support team
- Responsible for assembling the

Commodity Supply Chain Analyst

- Commodity SC Strategic Planning
- Continuous Process Improvement POC

Business Requirements Analyst

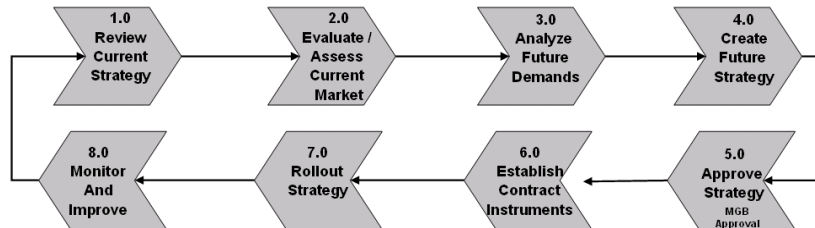
- Customer Relations POC
- Interpret customer needs

Commodity Expert

- Engineering and technical expert
- TDA + Engineer
- Commodity Standardization

Market Intelligence Analyst

- Research, analyze and interpret market research
- Builds knowledge repository





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USAF Commodity Councils

Commodity Group	Lead ALG	# of CAGEs	Stock #s	Stock #s / KT	# Contracts	# Contract Actions
Aircraft Accessories	OC	460	3417	1.59	2148	3136
Aircraft Engines	OC	411	3121	1.85	1689	4018
Aircraft Structural	WR	261	2358	2.05	1148	1591
Communications Electronics	WR	808	11138	2.61	4271	7111
Instruments	OC	324	1862	1.65	1128	1576
Landing Gear	OO	130	1034	1.14	905	1154
Secondary Power	OO	45	253	1.41	180	253
Support Equipment	WR	910	3641	.88	4159	5106
TOTALS		3349	26824	1.72	15628	23945



SPI: What's Different? Policy

	<u>From</u> Tactical Approach	<u>To</u> Strategic Approach
Strategy	Local strategies, Not Enterprise wide	Enterprise-wide strategies
Organization	Decentralized Maverick Buying	Enterprise wide linkages Cross-Function
Processes	Decentralized Inconsistent Paper Intensive	E-procurement Very Consistent ₃₇ Paperless



SPI: What's Different? Relationships

	<u>From</u> Tactical Approach	<u>To</u> Strategic Approach
Suppliers	Reactive relationships No collaboration	Proactive collaboration Supplier scorecards
Customers	Unsatisfied, Using Work-arounds, No Feedback	Active CRM Provider of choice
Procurement Staff	Buying Specialist, Tactical, Risk Averse	Strategic (& tactical) Sourcing Experts



SPI: What's Different?

Supplier Realm

	<u>From</u> Tactical Approach	<u>To</u> Strategic Approach
Suppliers	<ul style="list-style-type: none"> • Many • Ok sources, lowest price • Adversarial 	<ul style="list-style-type: none"> • Few • Best source, lowest TOC • Partnering
Supply Base Management	<ul style="list-style-type: none"> • Churn short term contracts • Diffused (roles & sites) • Primary concern – Competition 	<ul style="list-style-type: none"> • Longer term contracts • A lead long term voice • Primary concern – Lowest total cost
Supplier Management	<ul style="list-style-type: none"> • Informally evolves • Many contracts, contracting offices, and focal points • Peer leverage & peer trust 	<ul style="list-style-type: none"> • Formally assigned • Few larger contracts at few contracting offices • Increased leverage & trust



SPI: What's Different?

Enterprise Realm

	<u>From</u> Tactical Approach	<u>To</u> Strategic Approach
Teams	<ul style="list-style-type: none">• Many, ad hoc teams• Junior level personnel	<ul style="list-style-type: none">• Fewer cross function teams• Broader skill sets• More senior/seasoned
Critical skills	<ul style="list-style-type: none">• Firming up requirements• Compliance orientation• Incremental improvement• Minimize management burden/participation	<ul style="list-style-type: none">• Discretion• Collaboration with experts• Critical analysis• Process improvement• Strategic Sourcing
Requirement Generators	<ul style="list-style-type: none">• Talk among themselves• Functionally oriented incentives	<ul style="list-style-type: none">• Cross functional comm.• Cross function problem solving



Commodity Council Initiative IOC to FOC

- Phase I Initial Operating Capability (IOC)
- Phase II Commodity Council Spin Off
- Phase III Full Operating Capability (FOC)
- Phase IV SPI IPT Reconstitution



Phase I

Initial Operating Capability (IOC)

- Purpose is gain CC expertise
- Main Effort is to launch initial spirals
 - Tier I Spirals: Professional Services & ADP
 - Tier II Spirals: Office Supplies & Office Furn.
- End State: At least two of the spirals result in an enterprise wide change (note a spiral may complete without resulting in an enterprise change)



Phase II

Commodity Council Spin Off

- Purpose is to clarify issues involving coordination of multiple CC's & define allowable CC variants
- Main Effort is to initiate two (2) permanent commodity councils and harvest & documenting savings
- End State: Three (3) coordinated CC & an SPI Executive Committee approval



Phase III

Full Operating Capability (FOC)

- Purpose is to apply (on a sustained basis) an enterprise wide approach to buying products & services IOT optimize FMF support
- Main Effort is optimizing support of USMC
 - Documenting results
 - Adjusting as needed to improve
- End State: This phase is ongoing



Phase IV

SPI IPT Reconstitution

- Purpose is split the two roles of the SPI IPT
 - Residual CC efforts (if any)
 - Working level oversight of other CC's
- Main Effort is to develop a decision brief that explains the two roles.
- End State: The SPI Executive Committee approves the decision brief



SPI Stakeholders

